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NSC BRIEFING

21 January 1958

**INDONESIA (short form)**

- I. Dissidents have at least postponed decision to establish rival govt, although some in recent Sumatra meeting favored immediate action.
- A. Pleas for moderation and Hatta's refusal to participate were important factors.
- B. Dissidents still demanding change of govt and hope growing pressures will force cabinet to resign.
- C. [ ] break with Djakarta would be triggered if govt enters into arms deal with bloc.
- II. Govt has announced its awareness of dissident's meeting but so far has shown no intention of compromising.
- A. Nasution has warned any independence move would be forcefully suppressed. Cabinet is considering cashiering dissident colonels.
- B. Govt has issued decree ordering outer regions to cease their widespread barter trading.
- III. Meanwhile, economic situation is becoming acute.
- A. Finance Minister foresees desperate financial conditions in next two months.
- IV. Situation will worsen unless govt quickly restores inter island shipping. Its efforts to acquire foreign shipping have been largely unsuccessful.
- V. Sukarno has completed visits to India, Egypt, Yugoslavia, Syria and is now in Pakistan, a reluctant host.
- A. Although reception in India was cool, he has elicited support for West Irian campaign at all his previous stops.

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